

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 H-02 PA-01 PRS-01

USIA-06 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02

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FM AMEMBASSY HELSINKI

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INFO AMEMBASSY COPENHAGEN

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E.L. 11652: N/A

TAGS: ECON, ETRD, FI

SUBJECT: FINLAND'S AUGUST TRADE DEFICIT

REF: HELSINKI 2028; HELSINKI A-159 (NOTAL)

1. FINLAND'S FOREIGN TRADE DEFICIT WORSENEED BY ONE BILLION FMKS (265 MILLION DOLLARS) IN THE MONTH OF AUGUST, ACCORDING TO PRELIMINARY CUSTOM STATISTICS. FINLAND'S TRADE DEFICIT FOR THE FIRST EIGHT MONTHS OF 1975 THUS STANDS AT 5.9 BILLION FMKS. LAST YEAR'S EIGHT-MONTH DEFICIT WAS 3.2 BILLION FMKS, AND FOR THE WHOLE YEAR 5.0 MILLION. AUGUST IMPORTS AND EXPORTS WERE RESPECTIVELY 2.13 AND 1.13 BILLION FMKS WHICH MEANS THAT VALUE OF FINLAND'S IMPORTS WAS NEARLY TWICE AS LARGE AS VALUE OF EXPORTS IN AUGUST. GOVERNMENT ACTION SOON SEEMS UNAVOIDABLE, WITH FURTHER IMPORT RESTRICTIONS AND WAGE RESTRAINTS PROBABLE MEASURES TO BE USED.

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2. FINNISH AUTHORITIES DID NOT EXPECT THAT EXPORTS

WOULD DROP SO SHARPLY IN AUGUST AND ARE ALSO DISAPPOINTED THAT THE IMPORT DEPOSIT SCHEME HAS NOT BEEN MORE EFFECTIVE. THE MAIN CAUSE OF THE GROWING TRADE DEFICIT IS DEPRESSED DEMAND FOR FINNISH EXPORTS IN WESTERN MARKETS. IN VALUE TERMS, EEC COUNTRIES HAVE BOUGHTS FROM NMNLAND ONE-FOURTH LESS IN JANUARY-JULY 1975 THAN THEY DIDI IN A SIMILAR PERIOD IN 1974. ON THE OTHER HAND, FINNISH EXPORZP TO CEMA COUNTRIES INCREASED IN JANUARY-JULY BY 55 PERCENT OVER JANUARY-JULY 1974.

3. MAUNO KOIVISTO, GOVERNOR OF THE BANK OF FINLAND, HAS SIAD THAT "BLOODY MEASURES" MUST BE ZYKEN TO CUT IMPORTS TO THE SAME EXTENT AS EXPORTS. KOIVISTHMINISTS THAT TIGHT MONETARY POLICIES MUST BE MAINTAINED. PEKKA AHTIALA, MINISTER WITHOUT PORTFOLIO, HAS PREDICTED THAT FINNISH EXPORTS WILL SHOW A SLIGHT RECOVERY DURING THE LAST QUARTER OF THE CURRENT YEAR BECAUSE INVENTORY LIQUIDATION IS EXPECTED TO END IN WESTERN EUROPE. HOWEVER, AHTIALA SAYS THAT A STRONGER PICK-UP IN EXPORT DEMAND CANNOT BE ANTICIPATED UNTIL MID-1976.

4.THE AUGUST TRADE DEFICIT MAKES IT IMPERATIVE THAT EFFECTIVE ECONOMIC ACTION BE TAKEN SOON. THE CHOICES SEEM TO REMAIN THOSE LISTED IN REF B, WITH QUANTITATIVE IMPORT RESTRICTIONS AND DEMAND RESTRAINT BY KEEPING WAGE INCREASES LOW THE MORE PROBABLE SHORT-TERM RESPONSES. IN LONGER RUN DEVALUATION SEEMS LIKELY AS SOON AS IT APPEARS THAT THIS WOULD INCREASE EXPORTS (AND DISCOURAGE IMPORTS).
AUSTAD

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